

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

LEASE / UNIT* PLAN OF OPERATIONS APPLICATION

Applicant: ConocoPhillips Alaska, Inc Date: November 13, 2009

Contact Person: Sarah Kenshalo Telephone #: 265-1550 Fax # 265-6216

Mailing Address: P.O.Box 100360, Anchorage Alaska 99510-0360

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Is this activity within a Unit? no Which Unit? NA

Operator: ConocoPhillips Alaska, Inc

Is any part of the proposed project or activity discussed in the approved Unit Plan of Exploration or Development filed with the Division of Oil and Gas? No

If no, attach a detailed explanation. This project was not anticipated by the plan.

The Applicant is: Unit Operator Lessee* Tract Operator Other*: _____

Project Description:

- Construct an ice access road to the site and one ice pad on-site to facilitate corrective action;
- Clear snow from the site, and stockpile off-pad to facilitate pulling back onto the site at completion of corrective action work;
- Plug and abandon the well (API #50-029-20278-00);
- Remediate the gravel pad in the sequence specified in the Detailed Plan of Operations below;
- Remove ice/water from the reserve pit and Area A, and haul to the Prudhoe Bay Grind and Inject (G&I) plant for or Pad 3 for injection;
- Place hydrocarbon impacted material in the reserve pit in the following sequence:
 - Area A (Flare Pit) floor material,
 - Area 1 (around 2002 sample location OS-06 on OB pile)
 - P1,
 - P2 (if necessary),
 - P3,
 - P4,
 - Reserve Pit berm material
 - Area A berm material,
 - Area B and C berm material.
- Design the reserve pit cap to mirror the bottom of the reserve pit in such a way as to allow for 25% settlement of the ice-rich fill material, and to eventually resemble a natural mound. The reserve pit cap material that will be placed above tundra grade (at or above 17.0 MSL) will be clean or conditional use. If the volume of on-site material is not sufficient to ensure only clean or conditional-use gravel is placed above tundra grade, additional clean material may need to be hauled in from an off-site location, such as the Put 23 Mine Site in Prudhoe Bay. A minimum of 1.0-foot of organic rich OB will be used for the final layer of the reserve pit cap.

- Rehabilitate the site according to the attached Rehabilitation Plan for West Mikkelsen State 1 (Appendix B), (November, 2009).

Project Location / Facility Name: West Mikkelsen State 1
ADL # (mandatory): 47470 Oil and Gas Bond #: 889180

Plan of Operations require a \$250.00 permit fee; payable to the State of Alaska, Department of Revenue; and *should* accompany this application.

1. Plan of Operations: N/A

(Attach extra sheets if necessary, include applicable diagrams)

2. Surface Property Owner: State of Alaska

3. Legal Description: Section 32, Township 10N, Range 19E, Meridian Umiat
(Include all necessary maps)

4. Site Access: Off the road system in the Foggy Island/Mikkelsen Bay vicinity, about 25 miles east of Deadhorse.

5. Proposed Start-up Date: December 15, 2009 6. Expected Completion Date: December 31, 2010

7. Project Material: Gravel 8. Material Source: Put 23 Mine Site

a) Amount: (pad) _____ cy (road) _____ cy (other) Approx. 5,000 cy

b) Acreage Covered: (pad) Approximately 1.9 acres (Reserve Pit cap) (road) _____

(other)

Snow Removal Plan: As needed to facilitate site work.

10. Will Any Off-road (tundra or ice) travel be required? yes

a) Period of Off-road Travel: December 15, 2009 through April 15, 2009

b) Equipment to be Utilized: Trimmer, Loader, Water trucks, Backhoe

11. Will a Temporary Water Use Permit be required? Yes, in winter 2009/2010

a) Purpose: To construct/maintain ice roads and ice pads

b) Sources: Lake 20, Lake 21, and Old Shaviovik Gravel Pit

c) Access: Existing infrastructure d) Max. Anticipated Withdrawal: Approximately

2,500,000 gallons

12. Will Fuel or Any Other Hazardous Substances be Stored on Site? No fuel storage.

a) Type: _____

b) Volume: _____

c) Handling Technique: _____

d) Access: _____

e) Duration of Storage: _____

13. If a Pipeline is Being Constructed, will the line be a:

Common Carrier Pipeline Field Gathering Line Other: _____

- a) Location/ Route: _____
- b) Number, Diameter and Length: _____
- c) Type and Use: _____
- d) Construction Access: _____

14. Plan for Rehabilitation: X Upon Abandonment Specific: *(see attached plan)*

15. Is Any Part of this Application Confidential? No

16. How will Solid Waste be disposed of? Hydrocarbon impacted gravel will be excavated from the pad and placed into the open reserve pit which will then be capped..

17. What Infrastructure will be used to Support the Project? Existing infrastructure in the Prudhoe Bay Unit, Endicott or the Badami Unit, this is yet to be determined.

17. Additional Comments: _____

The undersigned hereby requests that each page of this application marked confidential be held confidential under AS 38.05.035(a)(9).


(Signature (Sarah Kenshalo)

Environmental Coordinator (Remediation)

Title

11/13/09

Date

LESSEE/SURFACE-OWNER INTERACTION

Statutes and regulation are explicit about how surface and subsurface owners and lessees shall interact; the subsurface estate is controlling. We have paraphrased here the relevant portions of AS 38.05.125 and AS 38.05.130 (a photocopy of the full text may be obtained by calling 269-8775):

AS 38.05.125 Reservation. (a) Each contract for the sale, lease or grant of state land, and each deed . . . is subject to the following reservation:

" . . . Alaska, hereby expressly saves . . . and reserves out of the grant . . . forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every . . . kind . . . which may be in or upon said land . . . and the right to explore the same . . . , and it expressly saves and reserves . . . the right to enter . . . upon said land, . . . at any and all times for the purpose of opening, developing, drilling, and working mines or wells . . . and taking out and removing . . . oils [and] gases . . . and to that end it further expressly reserves . . . the right to erect, construct, maintain, and use all such buildings, machinery, roads, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said land . . . for the foregoing purposes and to occupy as much of said land as may be necessary or convenient . . . expressly reserving to itself, its lessees, successors, and assigns, . . . all rights and powers in, to, and over said land . . . reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby . . . reserved."

That language is part of each deed awarded when the state transfers the surface estate; it retains the subsurface. The reservation includes the right to use the surface to develop the subsurface as well as to use existing facilities such as roads for the benefit of the entire state. Protection from damages is afforded surface owners at AS 38.05.130:

AS 38.05.130. Damages and posting of bond. Rights may not be exercised by the state, its lessees, successors or assigns under the reservation . . . [AS 38.05.125] . . . until the state, its lessees,

successors, or assigns make provisions to pay the owners of the land full payment for all damages sustained . . . by reason of entering upon the land. If the owner refuses . . . to settle the damages, the state, its lessees, successors, assigns . . . may enter upon the land in the exercise of the reserved rights after posting a surety bond determined by the director, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure . . . payments for damages, and may institute legal proceedings . . . to determine to damages which the owner may suffer.

In addition, there are general stipulations in the regulations at 11 AAC 96.140 that address the conduct of operations. Most relevant here is (10):

No person may engage in mineral exploratory activity on land, the surface of which has been granted or leased by the State of Alaska . . . until good-faith attempts have been made to agree with the surface owner . . . on settlement for damages If agreement cannot be reached, . . . operation may be commenced . . . only with specific approval of the director, and after making adequate provisions for full payment of any damages